



**STATE OF HAWAII**  
**HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

P.O. BOX 2121  
HONOLULU, HAWAII 96805-2121  
Oahu (808) 586-7390  
Toll Free 1(800) 295-0089  
[www.eutf.hawaii.gov](http://www.eutf.hawaii.gov)

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**TESTIMONY BY DEREK MIZUNO**  
**ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**  
**DEPARTMENT OF BUDGET AND FINANCE**  
**STATE OF HAWAII**  
**TO THE SENATE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT**  
**ON**  
**SENATE BILL NO. 2838 S.D.1**

March 18, 2016, 10:00 a.m.

**RELATING TO THE INVESTMENTS OF THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND**

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee:

The Hawaii Union-Employer Health Benefits Trust Fund (EUTF) Board of Trustees strongly supports this bill. Over the past 30 months, the other post-employment benefits trust fund (OPEB Trust) managed by the EUTF Board of Trustees has more than tripled in size from \$314.8 million at June 30, 2013 to \$1.0 billion at December 31, 2015. With the passage of Act 268, SLH 2013 that requires pre-funding of the OPEB Trust by the State and counties, the OPEB Trust is projected to increase to \$7.4 billion within the next 10 years. To address the growth in the investable assets of the OPEB Trust, the EUTF Board of Trustees in consultation with their investment consultant, Pension Consulting Alliance (PCA), has been investigating new asset classes (e.g. covered calls, commodities, private real estate and private equity) to complement the existing U.S. and international equities, U.S. fixed income and U.S. real estate investment trust (REIT) asset classes. Through this process, the EUTF

**EUTF's Mission:** We care for the health and well being of our beneficiaries by striving to provide quality benefit plans that are affordable, reliable, and meet their changing needs. We provide service that is excellent, courteous, compassionate, and informative.

discovered that the majority of these new asset classes are not permissible under the existing EUTF statute, HRS 87A-24, that governs the investment of EUTF moneys. HRS 87A-24 references the Employees' Retirement System (ERS) of the State of Hawaii's statute, HRS 88-119, that governs ERS' permissible investment types. However, HRS 87A-24 only references certain sections of HRS 88-119 and not the entire section.

As the OPEB Trust grows, its asset allocation should begin to resemble that of the ERS. As such, the EUTF Board of Trustees requests that the EUTF be permitted to invest in the same asset classes of the ERS through the proposed amendment to HRS 87A-24.

Thank you for the opportunity to testify.

# SHOPO



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**Main Office & Honolulu Chapter**  
1717 Hoe Street  
Honolulu, Hawaii 96819-3125  
Ph: (808) 847-4676 "84 SHOPO"  
(800) 590-4676 Toll Free  
Fax: (808) 841-4818

**Hawaii Chapter Office**  
688 Kino'ole Street, Room 220 B  
Hilo, Hawaii 96720  
Ph: (808) 934-8405  
Fax: (808) 934-8210


**Maui Chapter Office**  
1887 Wili Pa Loop, Suite #2  
Wailuku, Hawaii 96793  
Ph: (808) 242-6129  
Fax: (808) 242-9519

**Kauai Chapter Office**  
4264 Rice Street, Lihue  
Mailing Address:  
P.O. Box 1708  
Lihue, Hawaii 96766  
Ph: (808) 246-8911

**TO:** The Honorable Mark M. Nakashima, Chair  
House Committee on Labor & Public Employment

The Honorable Jarrett Keohokalole, Vice Chair  
House Committee on Labor & Public Employment

Members of the House Committee on Labor &  
Public Employment

**FROM:** Tenari Ma'afala, President   
State of Hawaii Organization of Police Officers

**DATE:** March 17, 2016

**SUBJECT:** Testimony on S.B. No. 2838 SD1, Relating to Investments  
of the Hawaii Employer-Union Health Benefits Trust Fund

**HEARING DATE:** Friday, March 18, 2016  
10:00 a.m. Conference Room 309

This bill expands the authorized areas of investment for the Hawaii Employer-Union Trust ("EUTF") Fund. The State of Hawaii Organization of Police Officers supports this bill.

The EUTF provides important medical, dental, vision, and drug benefits to eligible state and county employees and retirees, as well as their dependents. Funding of these benefits is critical, which includes finding the best investments for its money. The State of Hawaii Employees' Retirement System ("ERS") has an investment team that has achieved good returns over the last 3-5 years. Allowing the EUTF to mirror the ERS' investments provides the means for potentially greater returns on investments, and may prove more efficient for EUTF. It may also help to reduce the impact of any future market corrections or the arrival of a bear market on EUTF investments.

Thank you for this opportunity to testify.



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**  
AFSCME Local 152, AFL-CIO

**RANDY PERREIRA**, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Eighth Legislature, State of Hawaii  
House of Representatives  
Committee on Labor & Public Employment

**LATE**

Testimony by  
Hawaii Government Employees Association

March 18, 2016

S.B. 2838, S.D. 1 – RELATING TO INVESTMENTS  
OF THE HAWAII EMPLOYER-UNION  
HEALTH BENEFITS TRUST FUND

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 2838, S.D. 1, which repeals certain restrictions on investments that can be made by the Hawaii Employer-Union Health Benefits Trust Fund. The other post-employment benefit fund is anticipated to grow as the State and Counties increase their prefunding contributions. Allowing the EUTF the flexibility to invest their funds in a similar fashion as the Employees' Retirement System will maximize the fund's returns and assist in curbing the unfunded liability.

Thank you for the opportunity to testify in strong support of S.B. 2838, S.D. 1.

Respectfully submitted,

Randy Perreira  
Executive Director